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## Strategic Management in the Spa Industry

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### Introduction

The spa industry globally has entered a more mature growth phase in which increasing competition and economic uncertainty in many countries present managers with a number of external environmental challenges. The spa business is, by definition, a very operations based industry and almost entirely focussed upon service encounters. This means that the time required to respond to dynamic market forces presents managers with dilemmas; not the least of which is developing their own skill set whilst continuing to provide service excellence. Quite simply, thinking strategically within a results driven service business environment is difficult.

The chapter, therefore, considers the implications for spa businesses of the skills gaps that can arise (at management level) from the traditional target driven strategies that are associated with customer throughput. Is it possible to manage a spa from a strategic perspective at the operational level? One of the main issues in addressing the problems of developing strong management responses, is the lack of clearly defined strategic parameters from the industry perspective. There are many generic business strategy models, paradigms and philosophies, but what is important is how to apply philosophy and theoretically constructed models into live business operations. The process is particularly challenging in an industry that continues to utilise traditional theories and approaches to management that are, perhaps dated and based upon models that were developed in areas such as manufacturing and economics.

We present the view that in today's turbulent business environment, managers need to do more than 'roll out' a plan they have used before, or just focus on what might give them some type of short term competitive advantage. We also consider the limitations to strategy that may be linked to the size and scale of the spa operation and the extent to which it may be integrated within another business (brand) that supersedes the requirement for individual spa strategies.

Strategy is often considered to be a complex process and in academic terms the models and theories have perhaps reflected that sense of complexity as a pre-requisite for effective strategic thinking. Current thinking, however provides a more pragmatic approach to strategy, with scenario planning based upon a set of metrics that enable service sector businesses to adapt to changes quickly and more efficiently. In other words, decision making is simpler and this needs to be reflected in the recruitment of managers that are able to accept the speed of change and to make change happen.

In order to provide a clear framework for the reader, discussions revolve around a commonly cited academic model by Johnson *et al.* (2013) which considers strategy to be present at three levels within the organisation. Each level of strategy reflects the level of management within the organisation and subsequently presents the manager with a different set of tasks and responsibilities that will ultimately inform on the success of the business. This model has also been used as a foundation for the development of the typology of spas created in Chapter 2 of this book. The typology has been built around the size and scale of the spa business, and subsequently the discussions on strategic management follow that rubric.

## The spa business environment

The business environment in which a spa operates can be used to define the potential criteria for success or failure of the business. The interpretation of the environmental data and the scenarios that are then presented, often set the strategic directions for the company. The turbulent nature of today's external environment is being driven by a globalisation agenda that is even more difficult to predict, especially as it is set alongside the neoliberal agenda that is at odds with that globalisation. Today a business leader is president of the largest economy in the world, the British have rejected the European Union's moves towards federalism and the growth of extremism restricts the flow of capital necessary for investment in the service sector. These are just three reasons why the fundamentals of strategic planning are even more important today in the spa industry.

Future success can depend on such diverse aspects as national and/or local market conditions, level of government support for the leisure industry, pace of change and cost of setting up and/or maintaining the business operations. These trading conditions may vary geographically within a country, region or location.

As with all other sectors of the leisure industry, spas now operate in an extremely competitive and dynamic business environment. The extent to which managers are able to anticipate and deal with change, including new entrants to the market, can often determine the level of success for the new spa entrants, who are often encouraged by favourable environmental conditions, which can often be manifest in the success of the existing spa provision.

In the more traditional sense, spa facilities were developed as attractions that made up part of a destinations' tourism offering, or added to existing hotel amenities as a means of attracting guests and providing a point of differentiation from the competition. In this context the spa was a means of adding value to the customer or tourist experience and so long as the outcome was an increase in visitor numbers or occupancy, the spa may only have been expected to break even. However, as exponential growth of the spa industry in recent years has completely changed the competitive landscape in which they operate, it is no longer sufficient to just add value to the consumer experience. Madangolu and Brezina (2008) point out that spas have transformed from use as a marketing vehicle to becoming independent profit centres, particularly where they are developed as part of a resort or hotel facility. Spas are big business, whether they operate as small SMEs, independent chains or as 'add ons' to the existing operations of resorts and luxury hotels and within a global spa market forecast to grow at a CAGR of 8.7% between 2016 and 2020 (Research and Markets, 2016). The emphasis placed on how spas are managed will increasingly be called into question by owners and investors who are looking for a return on their often costly investment.

## Internal challenges to the spa industry

A number of more recent industry publications have observed that as the spa industry continues to grow and evolve, the need for fully trained and capable spa managers will continue to escalate more quickly than the supply of candidates (Hunter, 2012). This gap is particularly problematic when it comes to leadership that is capable of thinking strategically. Research conducted by Forbes in 2010 identified that strategic leadership does not come easily in any context, with most organisations showing that fewer than 10% of leaders exhibit strategic skills. This would indicate that as a priority the spa industry needs to develop strategic thinkers and leaders, a view confirmed by a recent article in *The Caterer* which identified that "in an extremely competitive market place there are a lot of beautiful but empty spas out there, mainly because they lack a co-ordinated strategy and plan" (Whittle, 2012). This situation was identified by Hunter (2012) whose research confirmed that the basis of the spa experience was provided by the therapists, but that the lack of experienced managers was fundamental to the poor retention levels of those therapists.

While a supply of suitable candidates for spa leadership may be an issue, it has also been identified that existing managers are failing to capitalise on their